

## Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 ARAE-00 SSO-00 INRE-00 COME-00 FRB-03

MC-02 SP-02 AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15

STR-04 OMB-01 CEA-01 USIE-00 CIAE-00 DODE-00 PM-04

H-02 INR-07 L-03 NSAE-00 PA-01 PRS-01 XMB-02 DHA-02

NSCE-00 OPIC-03 /082 W  
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FM AMEMBASSY SANTIAGO

TO SECSTATE WASHDC IMMEDIATE 218

C O N F I D E N T I A L SANTIAGO 6661

EO 11652: GDS

TAGS: PFOR, CI, MASS

SUBJ: CHILEAN REACTION TO USG RESTRICTIONS ON BILATERAL  
COOPERATION

REFS: (A) SANTIAGO 6507

1. SUMMARY: THERE HAS BEEN ONLY ONE OFFICIAL COMMENT  
INDICATING GOC REACTION TO THE RESTRICTIONS ON MILITARY AND  
ECONOMIC ASSISTANCE TO CHILE IN THE NEW SECURITY ASSISTANCE  
ACT. NEVERTHELESS, THE GOC HAS LET THE EMBASSY KNOW THROUGH  
SEVERAL CHANNELS THAT IT CONSIDERS THE EMBASSY AND THE  
AMBASSADOR LARGELY RESPONSIBLE FOR WHAT HAS HAPPENED: THE EMBASSY'S  
REPORTING IS EVIDENTLY REGARDED AS A KEY FACTOR IN ACTIVATING  
THE CONGRESS. END SUMMARY.

2. THERE HAS SO FAR BEEN ONLY ONE OFFICIAL REACTION  
TO THE PROVISIONS OF THE SECURITY ASSISTANCE ACT WITH RESPECT  
TO AID TO CHILE. APPARENTLY FEARING THAT CONFIDENCE IN THE GOC  
MIGHT BE IMPAIRED, FINANCE MINISTER JORGE CAUAS ISSUED  
A STATEMENT TO THE PRESS JULY 2 COVERING THE RESTRICTIONS  
ON ECONOMIC ASSISTANCE. CAUAS POINTED OUT, THAT THE CEILING  
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AND OTHER LIMITATIONS ON ECONOMIC AID WOULD NOT AFFECT THE

SITUATION IN CHILE, SINCE THEY HAD BEEN ANTICIPATED AND SINCE THE SUMS INVOLVED "ARE NOT SIGNIFICANT AND DO NOT AFFECT THE ECONOMIC RELATIONS BETWEEN OUR COUNTRIES". CAUAS EMPHASIZED CHILE'S FAVORABLE BALANCE OF PAYMENTS POSITION IN THIS CONTEXT.

3. THERE IS INCREASING EVIDENCE, NEVERTHELESS, THAT THE CHILEAN GOVERNMENT INTENDS TO MAKE THE EMBASSY, AND THE AMBASSADOR, SCAPEGOATS FOR THE STINGING REBUFF TO CHILEAN PRIDE IMPLICIT IN THE TERMS OF THE ASSISTANCE ACT. WE HAVE NOW HEARD FROM FOUR SOURCES THAT THE ALMOST COMPLETE TOP OFFICIAL LEVEL BOYCOTT OF THE AMBASSADOR'S BICENTENNIAL RECEPTION WAS ORDERED BY PINOCHET. OUR MILITARY PERSONNEL HAVE REPORTED INCREASING ANGER AND COLDNESS AT THE HANDS OF THE CHILEAN MILITARY. GOVERNMENT ECONOMISTS HAVE ALSO REACTED SHARPLY: ONE OF THEM ASKED A FRIEND: "WHY DON'T WE TAKE THE AMERICAN AMBASSADOR AND THE WHOLE EMBASSY STAFF AND PUSH THEM ACROSS THE NEAREST FRONTIER?"

4. IN A COUNTRY AS SMALL AS CHILE, THESE REACTIONS INEVITABLY BEGIN TO DRIFT INTO THE PRESS. IN A LEAD EDITORIAL IN EL MERCURIO JULY 8, THE PAPER AGREED WITH FINANCE MINISTER CAUAS THAT U.S. ECONOMIC SANCTIONS WERE LACKING IN PRACTICAL EFFECT, BUT SAID IT WAS ALARMING THAT ELEMENTS OF THE U.S. CONGRESS WERE RECEIVING MISINFORMATION ABOUT CHILE'S ECONOMIC PROGRESS AND BELIEVED THE GOC COULD BE "DESTABILIZED" BY SUCH MEASURES. NO MENTION WAS MADE OF ANY CONNECTION BETWEEN THE CONGRESSIONAL ACTION AND GOC HUMAN RIGHTS PRACTICES.

5. THE SAME AFTERNOON, SANTIAGO'S SENSATIONALIST DAILY, LA SEGUNDA, CARRIED A PHOTOGRAPH OF THE AMBASSADOR ON ITS "TOP SECRET" PEEPHOLE JOURNALISM PAGE COMMENTING THAT THE BICENTENNIAL HAD GIVEN CHILEANS A CHANCE TO EXPRESS THEIR AFFECTION AND ADMIRATION FOR THE UNITED STATES, BUT THAT FREQUENTLY SUCH AFFECTION DOES NOT EXTEND TO A COUNTRY'S REPRESENTATIVES. THIS WAS THE CASE IN CHILE, WHERE APPRECIATION FOR THE UNITED STATES IS NOT PARALLELED IN FEELINGS ABOUT ITS AMBASSADOR. THAT IS WHY MANY WERE ABSENT FROM THE EMBASSY'S JULY 2 RECEPTION, THE PAPER CONCLUDED.

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6. COMMENT: IT IS STILL TOO SOON TO ASCERTAIN HOW MUCH OUR DAY-TO-DAY RELATIONS WITH GOC OFFICIALS WILL BE AFFECTED BY THESE DEVELOPMENTS, AND FOR HOW LONG A PERIOD. IN THE PRESENT EMOTIONAL CLIMATE, IT IS PERHAPS NOT SURPRISING THAT THE EMBASSY, AND EMBASSY REPORTING, TURN OUT TO BE THE MOST CONVENIENT SCAPEGOATS FOR CHILE'S PREDICAMENT IN THE UNITED STATES. IN VARIOUS WAYS WE HAVE BEEN MADE AWARE OF THE GOC VIEW

THAT EMBASSY REPORTING ON CHILEAN DEVELOPMENTS DISTORTS THE "CHILEAN REALITY" AND ASSISTS CHILE'S MARXIST CRITICS. AT THE SAME TIME, THE CAREFUL AVOIDANCE OF OFFICIAL PUBLIC CRITICISM CONVEYS THE IMPRESSION THAT THE JUNTA IS NOT SO RASH AS TO WANT TO BURN ITS BRIDGES WITH US.

7. WE WILL WATCH CAREFULLY FOR SIGNS OF SUBSTANTIVE CHANGE IN CHILEAN POLICY. THE CHILEANS COULD MAKE THEIR DISPLEASURE KNOWN THROUGH SUCH MEASURES AS IMPEDING THE U.S. PAROLE PROGRAM, FURTHER HARASSING AIFLD OPERATIONS; CONTINUED FOOTDRAGGING ON THE REMOVAL OF DISCRIMINATION AGAINST U.S. SHIPPING; OBSTRUCTING U.S. MILITARY OR CIVIL AIRCRAFT OPERATIONS; AND EVEN SEEKING TO FORCE THE REASSIGNMENT OF U.S. OFFICIAL PERSONNEL.

8. AS THE GOC'S IRE SUBSIDES, AND A GREATER DEGREE OF RATIONALITY RETURNS, CHILEAN OFFICIALS WILL NO DOUBT PERCEIVE THAT SUCH ACTIONS WOULD BE BOUND TO BE COUNTER-PRODUCTIVE. WE WILL KEEP DEPARTMENT INFORMED OF DEVELOPMENTS.  
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